

**NATIONAL DAIRY MARKET AT A GLANCE****CHICAGOMERCANTILE EXCHANGE (CME) CASH MARKETS (12/19):**

**BUTTER:** Grade AA closed at \$1.3350. The weekly average for Grade AA is \$1.3908 (+.1208).

**CHEESE:** Barrels closed at \$1.2800 and blocks at \$1.3200. The weekly average for barrels is \$1.2740 (+.0040) and blocks, \$1.3400 (-.0160).

**BUTTER:** Butter markets are unsettled. On Friday, the cash butter price declined 15 cents, the sharpest one day decline since December 2000. Churning activity across the country is often lighter than desired due to tight cream supplies, but most producers expect this situation to loosen during the year end holidays. Demand for fresh butter continues to outpace production, thus inventoried stocks are being used to fill needs. Orders for the week before Christmas are strong. In years past, holiday orders have tapered off by now, but this year, fresh butter shortages and good sales activity are pushing orders much closer to the holidays. Inventories are declining to the point that some handlers are reaching to the CME cash market for supplemental stocks. On December 12, USDA announced the sale of 2.5 million pounds of government owned butter to the trade at a price range of \$1.2700 - 1.2800 per pound.

**CHEESE:** The cheese market is weak. Current movement was spotty, but fair to good on natural. Process interest remains mostly fair at best. Bulk cheese needs will decline during the year-end holiday period as packagers and processors will close for at least one extra day each week. Year-end inventory positioning by buyers and sellers is also occurring. Cheese production was steady to slightly higher as milk intakes increase seasonally in some areas. Most plant operators expect to operate on heavier schedules when schools close until the new year.

**FLUID MILK:** Milk handling ahead of the year-end holidays has begun to follow typical patterns. Bottled milk demand is mixed. Demand for holiday dairy items is good in all areas. The grocery strike continues to impact bottlers, warehouses and stores. Fluid milk sales are near normal, but handled by different suppliers. Milk production in the Southwest is steady to moving slightly higher. Most plants in the region have capacity and some balancing plants will see more milk over the next two weeks. Milk production in the Pacific Northwest is steady and plants are not expected to have any problems handling milk over the holidays. Midwestern states are seeing little change in milk output. Surplus milk is being offered around as some plants adjust schedules to take downtime during the holidays. The Northeast was hit by a moderate winter storm that caused fewer problems than the last one. Milk production is picking up, but not enough to satisfy overall demand. Surplus milk is expected to be handled within the region. In the Southeast, milk volumes are moving only slightly higher and not to the levels expected. The weather has not cooperated for milk growth. Florida milk needs were higher and more milk was moved into the state. The fluid cream market was very strong this week which is usually not the case. The run up in the CME butter price and tight cream supplies have buyers scrambling to find cream. Multiples are mixed, but total dollar values of loads of cream are higher. Seasonal product demand was good early in the week.

**DRY PRODUCTS:** Nonfat dry milk prices are holding mostly steady in all regions. The influence of increased support price offerings by more producers is evident in the market and new offerings were made by a producer

in the Central region. The trade awaits the next allocation of DEIP to clear additional NDM. Dry buttermilk markets are mostly steady and untested. There is little spot availability as past and current contract orders are filled. Production is often higher as butter making moves higher seasonally. Dry whey prices are lower as more whey is being offered by producers seeking to clear inventories. Exports are being explored by Western producers. Whey protein concentrate prices are lower as more product is available. Producers are discounting loads and pressing buyers to take contract loads on time. Lactose prices are unchanged ahead of anticipated higher negotiated quarterly prices starting in January 2004.

**CCC:** During the week of December 15 - 19, CCC purchased 10,493,791 net pounds of nonfortified NDM: 9,643,815 from the West and 849,976 from the Central region.

**FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS):** Under the Federal milk order pricing system, the base price for Class I milk for January 2004 is \$11.85, down \$1.99 from December. This price is derived from the advanced Class III skim milk pricing factor of \$7.46 and the advanced butterfat pricing factor of \$1.3283 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for January is \$6.64 and the Class II nonfat solids price is \$0.7378 per pound. The following are the two-week product price averages: butter \$1.2219, nonfat dry milk \$0.8072, cheese \$1.3227 and dry whey \$0.1967.

**NOVEMBER MILK PRODUCTION (NASS):** Milk production in the 20 major states during November totaled 11.6 billion pounds, down 0.2% from November 2002. October revised production, at 12.0 billion pounds, was down 0.1% from October 2002. The October revision represented an increase of 0.1% or 13 million pounds from last month's preliminary production estimate. Production per cow averaged 1,509 pounds for November, 13 pounds (0.9%) above November 2002. The number of cows on farms was 7.71 million head, 82,000 head (1.1%) less than November 2002, and 10,000 head less than October 2003.

**COLD STORAGE (NASS):** November, U.S. cold storage holdings of butter totaled 123.19 million pounds, 27.6% less than a month ago and 9.2% less than last November. Natural American cheese holdings total 467.46 million pounds, 4.8% less than a month ago and 1.4% less than a year ago.

**NOVEMBER FEDERAL MILK ORDER PRICE AND POOL SUMMARY (DAIRY PROGRAMS):** During November, about 8.4 billion pounds of milk were received from producers. This volume of milk is 14.4% lower than the November 2002 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -3.5%.) About 3.7 billion pounds of producer milk were used in Class I products, 5.4% lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2003 as compared to 2002. The all-market average Class utilizations were; Class I = 44%, Class II = 13%, Class III = 31%, and Class IV = 12%. The weighted average statistical uniform price was \$14.37, \$0.44 lower than last month, and \$2.88 higher than last year.

\*\*\*\*SPECIAL THIS ISSUE\*\*\*\*

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**CHICAGO MERCANTILE EXCHANGE  
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY DECEMBER 15	TUESDAY DECEMBER 16	WEDNESDAY DECEMBER 17	THURSDAY DECEMBER 18	FRIDAY DECEMBER 19	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.2700 (N.C.)	\$1.2700 (N.C.)	\$1.2700 (N.C.)	\$1.2800 (+.0100)	\$1.2800 (N.C.)	(+.0100)	\$1.2740 (+.0040)
40# BLOCKS	\$1.3500 (N.C.)	\$1.3500 (N.C.)	\$1.3400 (-.0100)	\$1.3400 (N.C.)	\$1.3200 (-.0200)	(-.0300)	\$1.3400 (-.0160)
BUTTER GRADE AA	\$1.3525 (+.0825)	----	\$1.4850 (+.1325)	----	\$1.3350 (-.1500)	(+.0650)	\$1.3908 (+.1208)

\*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at [WWW.AMS.USA.GOV/MARKETNEWS.HTM](http://WWW.AMS.USA.GOV/MARKETNEWS.HTM) (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$.8400 and Grade A price is \$.8400. NDM information remains available at the above internet address.) NOTE: THE CME WILL BE CLOSED THURSDAY AND FRIDAY, 12/25-26/03.

## CHICAGO MERCANTILE EXCHANGE

MONDAY, DECEMBER 15, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.2700; 2 CARS 40# BLOCKS @ \$1.3500  
 BUTTER — SALES: 27 CARS GRADE AA: 5 @ \$1.2700, 5 @ \$1.2725, 2 @ \$1.2750, 2 @ \$1.2825, 1 @ \$1.2900, 3 @ \$1.3100, 3 @ \$1.3150, 1 @ \$1.3250, 1 @ \$1.3200, 1 @ \$1.3300, 3 @ \$1.3500; BIDS UNFILLED: 55 CARS GRADE AA: 2 @ \$1.3525, 1 @ \$1.3500, 5 @ \$1.3300, 1 @ \$1.3225, 1 @ \$1.3200, 5 @ \$1.3100, 3 @ \$1.3025, 5 @ \$1.3000, 2 @ \$1.2875, 5 @ \$1.2825, 2 @ \$1.2775, 11 @ \$1.2750, 7 @ \$1.2700, 5 @ \$1.2500; OFFERS UNCOVERED: NONE

TUESDAY, DECEMBER 16, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.3500

WEDNESDAY, DECEMBER 17, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS 40# BLOCKS: 2 @ \$1.3400, 1 @ \$1.3500  
 BUTTER — SALES: 23 CARS GRADE AA: 1 @ \$1.4500, 1 @ \$1.4475, 1 @ \$1.4450, 1 @ \$1.4525, 2 @ \$1.4550, 1 @ \$1.4600, 1 @ \$1.4675, 1 @ \$1.4700, 1 @ \$1.4675, 1 @ \$1.4700, 1 @ \$1.4800, 1 @ \$1.4850, 5 @ \$1.5000, 1 @ \$1.4950, 1 @ \$1.4875, 3 @ \$1.4850; BIDS UNFILLED: 22 CARS GRADE AA: 2 @ \$1.4850, 1 @ \$1.4825, 4 @ \$1.4800, 1 @ \$1.4750, 2 @ \$1.4600, 2 @ \$1.4550, 2 @ \$1.4225, 2 @ \$1.4150, 2 @ \$1.4125, 2 @ \$1.4050, 2 @ \$1.3550; OFFERS UNCOVERED: 2 CARS GRADE AA @ \$1.5000

THURSDAY, DECEMBER 18, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ \$1.2800; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.3400

FRIDAY, DECEMBER 19, 2003

CHEESE — SALES: 2 CARS BARRELS: 1 @ \$1.2800, 1 @ \$1.2900; 5 CARS 40# BLOCKS: 4 @ \$1.3400, 1 @ \$1.3300; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.2800; 3 CARS 40# BLOCKS: 1 @ \$1.3200, 2 @ \$1.3400

BUTTER — SALES: 7 CARS GRADE AA: 1 @ \$1.3800, 2 @ \$1.3500, 1 @ \$1.3400, 2 @ \$1.3450, 1 @ \$1.3350; BIDS UNFILLED: 2 CARS GRADE AA @ \$1.1000; OFFERS UNCOVERED: 10 CARS GRADE AA: 1 @ \$1.3475, 3 @ \$1.3500, 2 @ \$1.3600, 1 @ \$1.3700, 1 @ \$1.4150, 1 @ \$1.4200, 1 @ \$1.4400

## BUTTER MARKETS

## NORTHEAST

The market tone is mixed. The price at the CME jumped sharply (8.25 cents) during Monday's (12/15) trading. Contacts were surprised by this large of a jump and many feel that speculation played a major factor in the change. Since most of the holiday demand for butter has been shipped and cream supplies are about to change from tight to long, it does seem strange that the price of butter would jump at this time. Churning activity remains limited in the East, but contacts expect cream supplies to be long by week's end. Fresh butter stocks continue to be tight and frozen butter stocks are still fully adequate to meet needs. In the East, micro-fixing is slowing as demand for print butter declines. Retail demand for butter is holding about steady, but retailers' needs have been shipped. Food service orders remain good. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 7.5 cents over the CME price/average.

## CENTRAL

The market tone is firm. At midweek, the cash trading level at the CME was \$1.4850, the highest cash price since early October 2001. During 2001, the cash butter price reached \$2.2250 in late August. Most producers and handlers are questioning how much further will the price go at this time. In the most recent two days of trading (Monday and Wednesday), the cash price firmed \$.2150 with 50 cars sold and 77 bids left unfilled on the board. Butter stocks are tight. Many producers and handlers indicate that they remain short of fresh butter and continue to deplete inventories. To the surprise of many, butter demand remains strong for upcoming holiday needs. Some handlers feel that this demand is as strong as it is this close to the holidays due to the shortage of fresh butter basically all fall. Retail sales are reported to be quite strong, especially where

featured. One grocery chain in Wisconsin is promoting butter at \$1.29 per pounds. Food service orders remain equally strong. Bulk butter for spot sale is very limited, but when available is being reported in the 2 - 4 cents per pound range over various pricing basis.

## WEST

Western butter contacts are mildly surprised at the strength in the cash CME market noted on Monday and Wednesday this week. No one expected the more than 21 cent increase. In many years, prices are showing signs of declining by now as most holiday orders have been filled. A number of factors seem to be different this year. First, butter production through October lags year ago levels by 86.5 million pounds. Second, CME weekly warehouse stocks have declined by 147 million pounds from the peak recorded in July. This is a record draw down and stocks now trail last year by 25.1 million pounds at 59.3 million pounds. Last, because of trading rules at the CME, only butter produced after December 2003 can be traded in CME cash and futures butter markets after March 1, 2004. This is not to say that some weakness in the near term is not impossible, but most contacts feel that the market is much more likely to be firm in 2004 than weak. Cream supplies for churning remain tight, but are expected to loosen over the year end holidays. Good last minute orders are noted for print butter in retail channels. In fact, orders are still being placed this week for Christmas needs. Historically this is unusual to see orders come in this late. Food service orders are better than early season estimates had expected. Current prices for bulk butter range from flat market to 3 1/2 cents under the market based on the CME with various time frames and averages.

## NASS DAIRY PRODUCT PRICES

## U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	38% MOISTURE BARRELS			
DECEMBER 13	1.3544	1.2534	0.8071	1.2404	0.1950
	9,183,184	10,628,660	20,403,699	2,722,394	12,395,423

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

## CHEESE MARKETS

## NORTHEAST

Prices are mixed and the market tone is seasonally steady. Cheese production in the East continues to hold relatively steady. Surplus milk volumes are starting to increase as we near the holidays, but most producers do have plenty of capacity for any extra milk that might become available during the holidays. Demand for cheese is seasonally good at retail, but producer shipments are slowing. Demand for gift pack items is slower as most orders have been filled. Aged cheddar demand is improved at retail, but also slower at the producer levels. Retail sales are improving, but prices are still a determining factor. Food service orders are good. Distributors are very active due to the short work-week next week.

WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.4200-1.9250
Cheddar Single Daisies	:	1.3775-1.8425
Cheddar 40# Block	:	1.4950-1.7425
Process 5# Loaf	:	1.4800-1.6800
Process 5# Sliced	:	1.5000-1.7450
Muenster	:	1.5925-1.7850
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

## MIDWEST

The cheese market is steady. Natural demand remains seasonally active. Some customers needed spot purchases of bulk natural to help fill orders. Process interest continues light to fair. Trim from cutting operations and undergrades continue to bolster the barrel supply for processors. Packaging and processing operations will be closed one or more extra days during the next 2 holiday weeks, reducing bulk cheese needs. Between the holidays and yearend inventory considerations, bulk buyers are trying to minimize supplies. Shipping schedules will also be interrupted, mainly on longer hauls, so truckers can be home for the holiday(s). More gaps continue to be exposed in aged cheddar supplies. Current milk receipts are showing a more sustained increase. Manufactured product yields remain good seasonally. Manufacturing plant operators expect additional milk volumes over the last 2 weeks of the year due to reduced Class I needs while schools are closed.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.4500-1.8100
Brick And/Or Muenster 5#	:	1.8400-2.0125
Cheddar 40# Block	:	1.7075-2.1150
Monterey Jack 10#	:	1.9100-2.1150
Blue 5#	:	2.1075-2.5400
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.6550-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.0000-2.6850

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS  
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER : CHEESE	
	:	:
12/15/03	38,843	: 122,853
12/01/03	41,424	: 123,592
CHANGE	-2,581	: -739
% CHANGE	-6	: -1

## WEST

Process cheese prices showed some strength while natural prices were lower following trading at the CME cash market last week. Contacts continue to state that the current block market is in better shape than the barrel/process market. They do indicate that the two markets are more balanced since there has been some switching of production out of barrel operations into block facilities since the wide spread started to appear weeks ago. Plants believe that they will be running quite full as the end of the year holidays approach. Demand for natural cheese has been good with some types of aged cheese in short supply. Interest in processing solids has been fair. Number one Swiss cheese is moving well with lower quality having some problems. Current sales of mozzarella are fair, but some stocks of frozen remain available. Contacts are wondering if butter/powder may be more competitive in competing for available milk supplies in the new year. The mix of products produced may adjust as price relationships change.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND  
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.4175-1.6775
Cheddar 40# Block	:	1.4850-1.8350
Cheddar 10# Cuts	:	1.6650-1.8850
Monterey Jack 10#	:	1.6750-1.8350
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.4600

## FOREIGN

Prices range from steady on imported types to fractionally lower for domestic styles. Demand for foreign type cheese is seasonally good. Supplies are adequate to meet most needs. Import licenses have either been filled or surrendered and importers are waiting for their 2004 licenses. The Euro remains very strong against the U.S. Dollar, which does hurt U.S. buyers' purchasing power in those countries using the Euro.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK  
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-3.7200	: 1.7150-3.2050*
Gorgonzola	: 3.6900-5.9400	: 2.2325-2.4900*
Parmesan (Italy)	: TFEWR	: 3.1250-3.2150*
Romano (Italy)	: 2.1000-3.1500	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.7225-1.9500*
Romano (Cows Milk)	: -0-	: 2.9125-5.0850*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggiano (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7500-3.7900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.3500-2.5500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.2500	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

\* = Price change.



## FLUID MILK AND CREAM

## E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	32	0	8	0	51	0
SOUTHEAST STATES	0	0	0	0	0	0

**EDITOR'S NOTE:** Due to changes in milk supply agreements, milk import/export totals are not directly comparable to year ago figures and to shipments prior to April 1, 2003.

Regional Milk Market Administrators announced the following, November 2003 uniform prices: Northeast \$14.95, Mideast \$13.93, Southeast \$15.72, Florida \$17.47, and Western New York (a state order) \$14.72 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) Another, less severe, snow storm hit parts of the Northeast this week and some farm pick-up schedules were delayed. Milk output is starting to rebound slightly in the Northeast, but milk supplies remain tight for overall needs. In the Southeast, the milk flow is showing more signs of increasing, but the recent rain and cooler weather are retarding the gains seen the past few weeks. Florida's need for milk was up this week and imports did take place. Contacts report that they are already planning on shipping milk out of state next week when schools are on vacation. This week's reopening of 41 grocery stores closed by strikes, redistributed the Class I milk demand. Surplus milk supplies are still tight, but contacts at manufacturing plants are getting more calls from handlers looking for outlets during the next two weeks. Because of the tighter milk supply and current plant capacities, contacts do not feel that the pressure to clear the holiday milk to be too bad. The condensed skim market ranges from fair to improved. Most sales are to contract accounts, but a few spot sales were noted this week. The fluid cream market has held surprisingly firm early this week. Prices are mixed, but generally higher as last week's average CME butter price gained almost 2.5 cents. The multiples used to determine prices did move a little lower to help offset the butter price increase. However, contacts feel that the closer we get to next week the lower multiples will become. Production of holiday items like egg nog, bottled whipping cream, dips, and sour cream have slowed significantly. Cream offerings are increasing along seasonal patterns. Ice cream production is holding fairly high this week, but many producers will be down during the two-week holiday period starting Monday, 12/22. Churning activity is light, but expected to increase this weekend.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

## SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.7145-1.9685
DELIVERED EQUIVALENT ATLANTA	-	1.7272-1.9812 M 1.8415-1.9304
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.7526-1.8415

## PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .8700- .9300
NORTHEAST- CLASS III - SPOT PRICES	- .9800-1.0600

## M I D W E S T

Class I demand remains strong through most of the region. Bottlers and handlers expect good demand for milk, at least through this weekend. Production of holiday items such as eggnog and dips is also seasonally active. With most schools closing until 2004 next week, Class I demand will be lighter and additional volumes will need to be cleared to manufacturing channels. Current manufacturing milk interest is fairly light with a number of plant operators not aggressively seeking additional supplies during the yearend holiday period. Handlers have been trying to place surplus holiday milk into committed manufacturing plant "homes". The recent jump in butter prices has helped to increase the demand for milk used for butter/powder. Reported spot manufacturing milk premiums, on a light test, range from flat class for this weekend to \$2.00 over early in the week, with most in the \$1.00 - \$1.25 area. Cream demand is excellent and prices are firm, at least into the upcoming weekend. A few spot deals were being made at lower multiples using this week's higher CME butter price. Most ice cream operations will either operate on limited schedules or be closed until the New Year, reducing the competition for cream. Current milk intakes are trending higher with more truckloads coming in from the farm a little larger. Fat and protein tests remain good. The initial November estimated milk production in selected Midwestern states compared with November 2002 is: Wisconsin 1.761 billion pounds, up 8 million pounds (0.5%); Minnesota 651 million pounds, off 11 million pounds (-1.7%); Michigan

487 million pounds, up 2 million pounds (0.4%), and Iowa 294 million pounds, down 12 million pounds (-3.9%).

## WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	DEC 11 - 17	PREVIOUS YEAR
SLAUGHTER COWS	\$ 49.00- 56.50	\$ 33.00- 38.00
REPLACEMENT HEIFER CALVES	\$300.00-430.00	\$200.00-430.00

## SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	DEC 11 - 17	PREVIOUS YEAR
SLAUGHTER COWS	\$ 50.00- 57.25	\$ 33.00- 39.75

## W E S T

November milk production for the 20 selected states totals 11.64 billion pounds, down 0.2% from last year. Cow numbers have declined for eight consecutive months and now stand at 7.71 million head. The decline from March totals 101,000 head. The cow number is 82,000 head (1.1%) less than last year. Production per cow is up 13 pounds or 0.9% for the selected states. Looking at the five Western states milk production compared to last year: Arizona +1.9%, California +0.4%, Idaho +8.8%, New Mexico +6.2%, and Washington -1.6%. Cow numbers are either steady or higher in all these states except for Washington. Production per cow is negative in California and Washington, but positive in the rest of the states. California production per cow still trails last year by 1.8%. Contacts are unsure when this trend will turn around. CALIFORNIA milk production is holding mostly steady across most of the producing areas of the state. In the south, milk volumes are mostly steady on a week to week basis. Load weights are moving slightly higher seasonally. The call for milk from bottlers remains disrupted because of the grocery strike, but now has established a "new normal" from suppliers of other stores. Orders have slowed from schools and colleges as winter vacations begin in staggered intervals. Some processors in the Central Valley are seeing milk volumes increasing, while others are seeing general steadiness. Weather conditions have been favorable for cows. Plants are running well with capacity available at most locations for processing more milk over the end of year. In the northern producing areas milk volumes are steady. Some processors are seeing milk coming in at levels below last year and well below projections. ARIZONA is seeing milk increase only slightly. Fluctuations are common, but the trend is higher off the seasonal low. Fat and protein tests are moving higher. Plants are being geared up to handle more milk over the year end holidays. Bottlers' orders are moving lower as schools close and the calls from retail are not as strong. Milk production in NEW MEXICO is trending slightly higher on a week to week basis at levels above last year. The conditions are favorable for milk growth. More cows are being added in the state to fill new or expanded operations. Milk movements out of the region have slowed for the next two weeks. Extra milk will be moved to nearby balancing plants. Local transportation is not usually a concern, but longer hauls can be hard to find over the holidays. The CREAM market is firm this week. Good demand is noted from butter makers and from out of region accounts. Demand is better than expected and also being influenced by the higher Grade AA price at the CME. The close was at \$1.4850 on 12/17, an increase of 26 cents since the beginning of December. There continues to be a good call for cream from seasonal accounts making eggnog, dips, cream cheese, sour cream, and assorted holiday items. Western cream multiples are holding around the 116 to 134, FOB, depending on class usage and basing point. Milk production in the PACIFIC NORTHWEST is about steady with recent trends. Manufacturing plants are expecting additional supplies of surplus milk over the next two weeks, but are not anticipating any problems in processing the additional milk. With the sharp increases noted in butter prices at the CME cash and futures markets, plants are reevaluating where the additional milk should go. They are also wondering if the product mix in 2004 will be adjusted to better reflect improving returns to the butter side of the market. Plant managers are happy to see the improving tests on milk receipts. They are now being rated as very good compared to historical patterns. Culling rates remain heavy and replacement heifer prices are high. Little hay is moving currently and the market is expected to remain quiet through the end of the year. Most contacts are stating that hay stocks should be sufficient to reach through the winter with a decent level of carry over available. Cream supplies are tight, but as holiday product output slows, churns are expecting to find more cream available. Temperatures in UTAH and IDAHO are on the cold side of average, but they are not causing any real milk production problems at this time. Plants are anticipating additional supplies to process through the end of the year as various holiday related items have finished production schedules. They are beginning to look at January and are not sure how much milk will be available at that time. Another unknown factor is what impact the sharp, counter-seasonal increases in butter prices will have. The futures market for butter seems to be leading the cash market higher with prices for next fall hitting the \$1.60 range.

**NDM, BUTTERMILK & WHOLE MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**NONFAT DRY MILK - CENTRAL AND EAST**

CENTRAL: Prices are unchanged to lower on a steady to weak market. Sales to the CCC from the Central region are resuming. Some traders are dismayed that producers are moving NDM to the CCC when traders would be willing to buy above the support price of 80 cents for sale on the open market. As the holiday weeks approach, more milk is anticipated to flow into NDM dryers. With supplies of resale NDM from the CCC cheese/pudding exchanges readily available, current market prices for NDM are expected to trend lower. CCC resale NDM is reportedly being released from older lots of about a year ago, encouraging buyer questions of quality. High heat supplies are limited for the good spot and contractual interest.

EAST: Prices are mostly steady. Production levels are up slightly in some plants, but still below expectation in most Eastern operations. However, surplus milk volumes, if historical patterns are followed, will begin to increase late this week and drying should be picking up. Contacts see little problem handling the surplus milk during the holiday period. Producers have little powder on hand. Demand for NDM is often slowing as users work down their stocks before the end of the year. Usage in seasonal products is winding down and fewer LTL sales were noted. Some contacts are concerned about Eastern NDM availability throughout 2004. They see lighter milk production in the region and steady demand for the fluid, which potentially leaves less milk for manufacturing.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
LOW/MEDIUM HEAT: .8000 - .8800 MOSTLY: .8350 - .8600  
HIGH HEAT: .8700 - .9450

**NONFAT DRY MILK - WEST**

The Western low/medium heat NDM market prices are unchanged. The market tone is steady, but with weaker tones noted. The major concern in the trade is that the next DEIP allocations have not been announced and producers are offering heavier volumes of surplus NDM to the support program each week. Past DEIP and government contract orders are mostly filled. NDM and condensed have moved out of cheese production. Seasonally, demand has slowed due to end of year considerations. Production levels have increased as more milk is moving to balancing plants and operators are readying dryers to handle heavier volumes over the end of year period. During the week of December 8 - 12, CCC net purchases totaled 13.8 million pounds from the West. High heat prices are unchanged. Seasonally, orders are higher and being filled from storage and current production. Output levels are slightly higher for producers meeting better order volumes. Generally, stocks are limited and committed.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
LOW/MEDIUM HEAT: .7950 - .8825 MOSTLY: .8000 - .8175  
HIGH HEAT: .8375 - .8500

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
December 12	\$.8060	12,428,627	7,261,393
December 5	\$.8076	12,058,975	5,351,773

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

**DRY BUTTERMILK - CENTRAL**

Prices remain unchanged and nominal on a steady market. Production is increasing at some locations. However, additional supplies of dry buttermilk produced are readily assigned to buyers previously shorted loads. Production is anticipated to increase as more milk and cream are available over the holidays. Heavier supplies of condensed buttermilk are also expected as intakes into some ice cream operations cease during the holidays. Producers expect spot loads of dry buttermilk to be available after the New Year.

F.O.B. CENTRAL: .9350 - 1.0125

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices are unchanged and the Northeastern prices are nominal. Production remains slow, but most Eastern contacts do expect churning to increase in the days leading up and throughout the holidays. Producers still have little or no powder on hand. Demand is steady and there are quite a few LTL sales being reported.

F.O.B. NORTHEAST: .8400 - .8500  
DELVD SOUTHEAST: .8800 - .9000

**DRY BUTTERMILK - WEST**

Dry buttermilk prices continue to be lightly tested and are holding within a tight range. The mostly range was slightly higher on the top end. The market tone is steady to firm. Producers continue to struggle to meet past and current orders and often have no product to offer on the spot market. The seasonal increase in butter production has created more dry buttermilk as a result which has helped some producers catch up. There are few direct offerings, but buttermilk is available from some resellers and in less than truckload amounts on a limited basis. Current stock positions are limited.

F.O.B. WEST: .8500 - .8800 MOSTLY: .8500 - .8700

**DRY WHOLE MILK - NATIONAL**

Prices are unchanged to higher within the range and nominal. The market tone is unchanged. Production levels are light and often just to fill contract shipping dates. Surplus milk volumes remain light in the East to adequate in the West. Demand is fair and mostly contractual. Producer stocks are light.

F.O.B. PRODUCING PLANT: 1.0750 - 1.2200

**DEIP BID ACCEPTANCE SUMMARY**

JULY 1, 2003 TO DATE  
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK -- 22,733 MT (50,117,171 LBS)

Allocations for the DEIP year beginning July 1, 2003, were announced on August 15 and total 68,201 MT of NDM, 3,030 MT of cheese, and 21,097 MT of butterfat. (These totals are unchanged from last year's program.) This program-year's allocations are again being announced in stages. Stage one allocations are:

NDM -- 22,733 MT, butterfat -- 7,032 MT, and cheese -- 1,010 MT.

**WHEY, CASEIN & EVAPORATED MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**DRY WHEY - CENTRAL**

Prices are lower on a weak market. Supplies are mixed. Some producers are reporting that stocks are in balance while others are discounting to clear building inventories. Due to recent price changes, some buyers are opting to wait and see if prices continue to trend lower before making additional purchases. Interest is fair at best. Some movement is being reported into export markets. Resale whey supplies from current production as well as 2 months ago are available at prices near the lower end of the range. The undertone is that the market will settle at the beginning of the New Year.

F.O.B. CENTRAL: .1800 - .2050 MOSTLY: .1875 - .1975

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices are unchanged to mostly lower. The Northeastern prices remain nominal. The market tone is showing more signs of weakness. However, the East continues to be in a very good supply/demand balance. Most producers are sold out and taking orders for future delivery. Occasionally, spot loads do become available and these are often trading at lower premiums. Demand is lackluster as buyers/users try to clear their stocks before the end of the year. Also, there have been reports of some producers in other regions offering lower prices on multi-load sales if the product is out of their warehouses before the end of the year. With increased production expected during the next few weeks, the market isn't as firm as it had been early in the month. There is little concern though. Some contacts feel that if historical patterns are to be followed, demand will pick up in mid January and dry whey production will ease back to pre-holiday levels. Should this happen, prices could rebound.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1975 - .2175  
DELVD SOUTHEAST: .2125 - .2400

**DRY WHEY - WEST**

Prices are fractionally lower on the Western whey range and are steady to as much as a penny lower on the mostly series. More producers are noting increasing stock levels that they are trying to keep ahead of by reducing prices. Preliminary results from the tender from last week indicate that if the U.S. is to be a participant, prices probably need to be at 17 cents or below. Some operations view this as a good option while others are hesitant to drop prices that much. Production levels are lighter than anticipated, but they are expected to increase over the year end holiday period. Some producers are not happy with the prospect of additional powder at this time. Domestic sales activity remains about steady.

NONHYGROSCOPIC: .1600 - .2150 MOSTLY: .1700 - .1900

**ANIMAL FEED WHEY - CENTRAL**

Prices are lower on a weak market. Although supplies of milk replacer are limited, prices are trending lower with the Extra Grade market. Demand is fair as buyers wait and see where market prices settle. Veal prices continue to trend lower while early weaned pig demand is mostly steady.

F.O.B. CENTRAL:  
MILK REPLACER: .1775 - .1850

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are lower on a weak market. Offerings are heavier compared to the week prior. Premium prices are reduced and discounting is noted by a few plants. Producers previously reporting limited stocks are now encouraging buyers to take contractual loads without delay. Some spot buyers are resisting current prices until the market settles. Canadian supplies of WPC 34% are being offered to some US buyers. Production is mostly unchanged. WPC 80% is competitive with WPC 34% into some feed operations. CCC NDM for drought relief is reportedly available as a substitute to WPC 34% at some locations. Off grade supplies of 80% and 34% are readily available at prices that vary with quality.

F.O.B. EXTRA GRADE 34% PROTEIN: .5200 - .5575 MOSTLY: .5425 - .5575

**LACTOSE - CENTRAL AND WEST**

Prices remain unchanged on a firm market. Trading activity is light with a few plants trading less than trucklot loads or even a few bags to satisfy buyer requests. Demand is best for 50# bags. Contracts for first quarter continue to settle at higher prices. Most domestic contracts are finalized. A few export negotiations continue. Spot inquiries are noted by some candy producers. Production is mostly steady.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1950 - .2650 MOSTLY: .2050 - .2200

**CASEIN - NATIONAL**

Casein markets remain firm. Stocks of rennet and acid are in close balance for needs with most domestic buyers getting their contracted volumes. Additional or spot needs are difficult to locate. European producers are questioning the impact they will realize once the recent subsidy reduction on skim milk powder for the production of casein becomes effective. They basically indicate that firm casein prices will probably become firmer. Some domestic users of casein remain curious about the outcome of the current round of government owned powder sale for the production of casein/caseinates which will be publicly known December 23.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.1000 - 2.2000  
ACID: 2.0500 - 2.2500

**EVAPORATED MILK - NATIONAL**

Prices and the market tone are unchanged. Surplus milk volumes are still tight in most parts of the country, but most producers anticipate additional volumes during the holiday period. However, milk prices are well above last December's. The price notwithstanding, some producers need this additional milk to help replenish inventories. Retail sales are seasonally good. Some large retail chains are starting the contact negotiations/bidding for next year's purchases. The market remains very competitive.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

## CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	12/03	12/04	12/05	12/08	12/09	12/10	12/11	12/12	12/15	12/16
<b>CME - (CLASS III) MILK FUTURES -- Dollars per cwt</b>										
NOV 03	13.46 (6011) 0	13.46 (5641) 0	13.47							
DEC 03	11.56 (4026) 189	11.68 (4035) 24	11.65 (4013) 32	11.64 (4057) 148	11.68 (4005) 69	11.71 (3991) 31	11.74 (3913) 184	11.68 (3911) 12	11.70 (3885) 32	11.75 (3886) 3
JAN 04	11.62 (2505) 155	11.76 (2576) 141	11.65 (2667) 219	11.51 (2720) 82	11.57 (2738) 78	11.55 (2815) 140	11.50 (2833) 201	11.51 (2865) 39	11.54 (2863) 65	11.62 (2871) 51
FEB 04	11.40 (1735) 81	11.53 (1759) 14	11.47 (1755) 21	11.41 (1752) 2	11.38 (1762) 36	11.39 (1797) 53	11.38 (1818) 143	11.38 (1829) 15	11.38 (1838) 50	11.43 (1841) 8
MAR 04	11.44 (1593) 64	11.49 (1595) 2	11.49 (1596) 12	11.42 (1597) 11	11.41 (1601) 47	11.41 (1617) 65	11.35 (1641) 142	11.36 (1649) 19	11.36 (1655) 61	11.43 (1656) 13
APR 04	11.49 (1096) 49	11.49 (1096) 0	11.49 (1097) 1	11.45 (1100) 3	11.45 (1116) 34	11.50 (1126) 35	11.48 (1158) 48	11.49 (1168) 12	11.54 (1202) 71	11.60 (1215) 31
MAY 04	11.47 (1076) 47	11.50 (1076) 2	11.49 (1076) 0	11.49 (1079) 14	11.47 (1091) 39	11.48 (1111) 25	11.48 (1120) 47	11.48 (1126) 15	11.46 (1142) 38	11.54 (1195) 64
JUN 04	12.00 (954) 44	12.02 (954) 0	12.02 (955) 2	12.02 (962) 8	12.02 (975) 27	12.03 (976) 6	12.04 (988) 14	12.04 (998) 10	12.05 (1043) 72	12.07 (1091) 69
JUL 04	12.47 (776) 26	12.47 (779) 34	12.47 (780) 5	12.54 (793) 32	12.54 (806) 24	12.55 (818) 18	12.55 (818) 2	12.53 (826) 8	12.53 (905) 86	12.58 (937) 52
AUG 04	12.93 (795) 16	12.93 (798) 34	12.93 (800) 2	12.96 (821) 41	12.96 (835) 24	12.97 (837) 7	12.97 (837) 2	12.95 (845) 8	12.95 (870) 87	12.96 (874) 14
SEP 04	13.35 (889) 15	13.35 (892) 34	13.35 (895) 4	13.35 (920) 48	13.37 (931) 35	13.38 (933) 2	13.38 (934) 3	13.40 (946) 13	13.40 (964) 73	13.50 (963) 14
OCT 04	12.75 (635) 16	12.75 (638) 34	12.75 (638) 0	12.75 (660) 50	12.76 (676) 20	12.77 (672) 17	12.79 (672) 0	12.75 (682) 11	12.75 (686) 80	12.90 (696) 17
NOV 04	12.03 (431) 15	12.03 (465) 34	12.03 (466) 1	12.00 (469) 16	12.00 (494) 32	12.00 (493) 1	12.02 (493) 0	12.02 (494) 9	12.02 (504) 64	12.22 (511) 8
DEC 04	11.66 (400) 0	11.66 (403) 18	11.66 (434) 31	11.66 (436) 10	11.66 (438) 2	11.66 (441) 5	11.66 (446) 5	11.66 (447) 8	11.66 (454) 37	11.80 (462) 10
<b>CME - (CLASS IV) MILK FUTURES - Dollars per cwt.</b>										
NOV 03	10.18 (1) 0	10.20 (1) 0	10.30							
DEC 03	10.12 (1) 0	10.20 (1) 0	10.25 (1) 0	10.25 (1) 0	10.25 (1) 0	10.35 (1) 0	10.35 (1) 0	10.35 (1) 0	10.35 (1) 0	10.35 (1) 0
JAN 04	10.50 (5) 0	10.50 (5) 0	10.50 (5) 0	10.50 (5) 0	10.50 (5) 0	10.50 (5) 0	10.50 (5) 0	10.70 (5) 0	10.95 (5) 0	10.95 (5) 0
FEB 04	10.55 (5) 0	10.55 (5) 0	10.55 (5) 0	10.55 (5) 0	10.55 (5) 0	10.55 (5) 0	10.55 (5) 0	10.75 (5) 0	10.95 (5) 0	11.00 (5) 0
<b>CME - BUTTER FUTURES -- Cents per pound</b>										
DEC 03	124.50 (319) 4	124.50 (319) 4	126.25 (321) 3	127.00 (31) 0	127.00 (16) 0	126.50 (16) 1	127.00 (16) 0	127.30 (15) 1	140.00 (19) 9	144.00 (24) 8
MAR 04	136.50 (182) 7	136.50 (182) 0	136.50 (182) 0	136.50 (182) 2	135.50 (181) 1	135.50 (183) 4	137.00 (186) 7	139.25 (187) 2	144.25 (182) 16	150.00 (165) 54
MAY 04	138.50 (83) 2	139.00 (83) 0	139.00 (83) 0	139.00 (83) 3	139.00 (83) 0	139.00 (85) 3	140.00 (85) 9	142.00 (84) 6	146.00 (84) 4	151.00 (87) 10
JUL 04	140.50 (41) 0	142.00 (41) 0	142.02 (41) 0	142.02 (38) 3	142.00 (39) 1	142.00 (39) 0	142.00 (40) 6	144.00 (43) 3	149.00 (59) 23	155.00 (98) 44

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.



## INTERNATIONAL DAIRY MARKET NEWS

Information gathered December 8 - 19, 2003

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

## WESTERN AND EASTERN EUROPE

**OVERVIEW: WESTERN EUROPE:** Milk production patterns in most European countries are at seasonal low levels, although some areas are indicating slight increases starting to occur. For the most part, milk volumes are sufficient to maintain steady production schedules for those operations that receive milk on a year round basis. Many milk handlers indicate that they do not foresee any problems handling milk volumes over the year end holiday period. Stocks of manufactured dairy products in Europe are available, although stocks for immediate shipment are limited. Overall buying interest remains slow and unaggressive. Most traders state that this is typical for the year end holiday period, but anticipate more activity to occur once the new year begins. Russia continues to look for product in Western Europe although this buyer interest is not as aggressive as it had been earlier this fall. The Euro remains strong against the U.S. dollar, in fact, the U.S. dollar is weaker against most international currencies at this time. The firm Euro is causing some problems with dairy product sales at this time. Traders state that many buyers have been absent from the market for quite some time, thus they anticipate the first quarter of 2004 to see resumed buyer interest. Skim milk powder continues to be sold back from intervention to animal feed buyers. Up to this point, about 3000 metric tons (6.6 million pounds) have been sold, thus a sizable inventory still is available.

**BUTTER/BUTTEROIL:** European butter markets are generally steady at unchanged prices. Milk production is seasonally low, thus churning activity is quite limited. International buying interest is slow and unaggressive with most sales activity centered on internal or domestic needs. Retail sales have been strong which is typical for this time of the year. Stocks of butter are available. Russia has been actively looking for butter earlier this fall but now this buyer interest has eased.

82% BUTTERFAT: 1,450 - 1,700

99% BUTTERFAT: 1,750 - 2,000

**SKIM MILK POWDER (SMP):** Skim milk powder markets are generally steady although prices have weakened somewhat. Stocks are available for buyer interest, but new sales are reported to be limited. Most feel that during the holiday period market activity will be light. Traders indicate that the firm Euro is causing some buyers to possibly hold off in hopes of weakening monetary trends, although many financial advisors indicate that we have not seen anything yet. Intervention stocks continue to be sold back to the animal feed market. At this point, about 3000 metric tons have been sold for this purpose.

1.25% BUTTERFAT: 1,775 - 1,900

**WHOLE MILK POWDER (WMP):** Whole milk powder markets are generally steady, but prices are slightly lower. Some traders indicate that lower prices are a way that some producers are trying to offset the firm Euro, but remain competitive. Stocks of powder are available for the light buyer interest at this time, although many traders anticipate a more active market after the first of the year.

26% BUTTERFAT: 1,900 - 2,000

**SWEET WHEY POWDER:** Whey powder markets are generally steady with prices unchanged to slightly lower on the top end of the reported range. Often, stocks are lighter than desired for a steady/good demand. Cheese production is slower as year end cheese needs have basically been filled, thus whey volumes are not as plentiful.

NONHYGROSCOPIC: 500 - 650

**OVERVIEW: EASTERN EUROPE:** Milk production trends in Eastern Europe are much the same as they have been in weeks past. Milk output is at seasonal levels with some reports indicating slight increases on a year to year basis occurring. Stocks of manufactured dairy products are not heavy, and in many instances, lighter than desired. Some buying interest has occurred out of Eastern Europe this fall, but many traders feel that they will not be able to acknowledge significant new buyer interest should it develop early in the new year.

## OCEANIA

**OCEANIA OVERVIEW:** Milk production in Oceania is on the down side of the season. In Australia, hot temperatures are being reported in the Victoria region of the country. Temperatures in the 30 – 37 degrees Celsius (upper 80's to near 100 degrees Fahrenheit) are common over much of the major milk producing region of the country. Milk producers and handlers state that these temperatures will not help the already lower milk production trends in comparison to last year. At this time, milk output in Australia is reported to be trailing last year by 8%. In New Zealand, production trends continue to follow those of recent weeks. Milk output is declining seasonally, but is reported to be running 3 – 4% ahead of last year. Stocks of manufactured dairy products remain in close balance with demand. Some handlers in Australia indicate that they have no additional butter or cheese available for spot or additional buyer interest. The overall tone to Oceania dairy markets is firm with prices unchanged to slightly higher on cheese. Most market activity out of Australia and New Zealand at this time is shipment of pre negotiated sales earlier in the season. No new buyer interest is being reported from the region, although most handlers indicate that they would probably not be able to acknowledge much, if any at all, new buyer interest due to their tight supply situation.

**BUTTER:** Oceania butter markets are generally steady at unchanged prices. Milk production is seasonally declining in both New Zealand and Australia, thus milk volumes for processing are lighter. Stocks of butter are reported to be in close balance with commitments. Most handlers indicate that they do not have any significant volume of additional butter for spot buyer interest, but do indicate that they have sufficient volumes for known needs.

82% BUTTERFAT: 1,450 - 1,600

**CHEDDAR CHEESE:** Cheese markets are firm with prices generally higher. Producers and handlers of Oceania cheese indicate that buyer interest remains strong from regular and ongoing customers. For the most part, cheese stocks are fully committed to these customers with minimal volumes available for additional buyer interest. The milk production season is winding down in both Australia and New Zealand, thus some milk handlers are looking at which manufactured dairy product this milk should be directed with cheese production sometimes coming up short.

39% MAXIMUM MOISTURE: 2,100 - 2,250

**SKIM MILK POWDER (SMP):** Skim milk powder markets are steady to firm with prices unchanged to slightly higher. When possible, many manufacturers are directing milk volumes toward butter/powder production. At this time, manufacturers indicate that their supply situation is tight and minimal volumes of additional powder are available for spot or new buyer interest. Shipments are basically occurring as scheduled.

1.25% BUTTERFAT: 1,775 - 1,875

**WHOLE MILK POWDER (WMP):** Whole milk powder markets are firm with prices unchanged to higher. Stocks of powder are reported to be limited, but sufficient for commitments. Producers and handlers state that supplies are in close balance and they have very minimal volumes available for spot or additional buyer interest.

26% BUTTERFAT: 1,775 - 1,875

Exchange rates for selected foreign currencies: DECEMBER 15, 2003

.7619 Canadian Dollar	.0220 Indian Rupee
.3376 Argentina Peso	.6488 New Zealand Dollar
.0886 Mexican Peso	.7437 Australian Dollar
.2647 Polish Zloty	.0093 Japanese Yen
	1.2310 Euro

To compare the value of 1 US Dollar to Mexican Pesos:  $(1/.0886) = 11.2867$ . That is 1 US Dollar equals 11.2867 Mexican Pesos.  
Source: "Wall Street Journal"



## MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

## U.S. HOLDINGS OF DAIRY PRODUCTS

COMMODITY	OCT 31, 2001	OCT 31, 2002	REVISED OCT 31 2003	NOV 30, 2001	NOV 30, 2002	NOV 30, 2003
Butter	100,791	164,640	170,154	57,916	135,632	123,187
Cheese, Natural American	463,378	501,401	491,098	438,140	474,055	467,455
Cheese, Swiss	10,671	18,927	22,044	11,335	22,251	24,931
Cheese, Other Natural	198,185	200,064	209,264	181,818	200,757	203,366

## U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS

Butter	344	1,844	11,084	341	1,021	8,703
Natural American Cheese	911	927	9,473	207	463	6,918

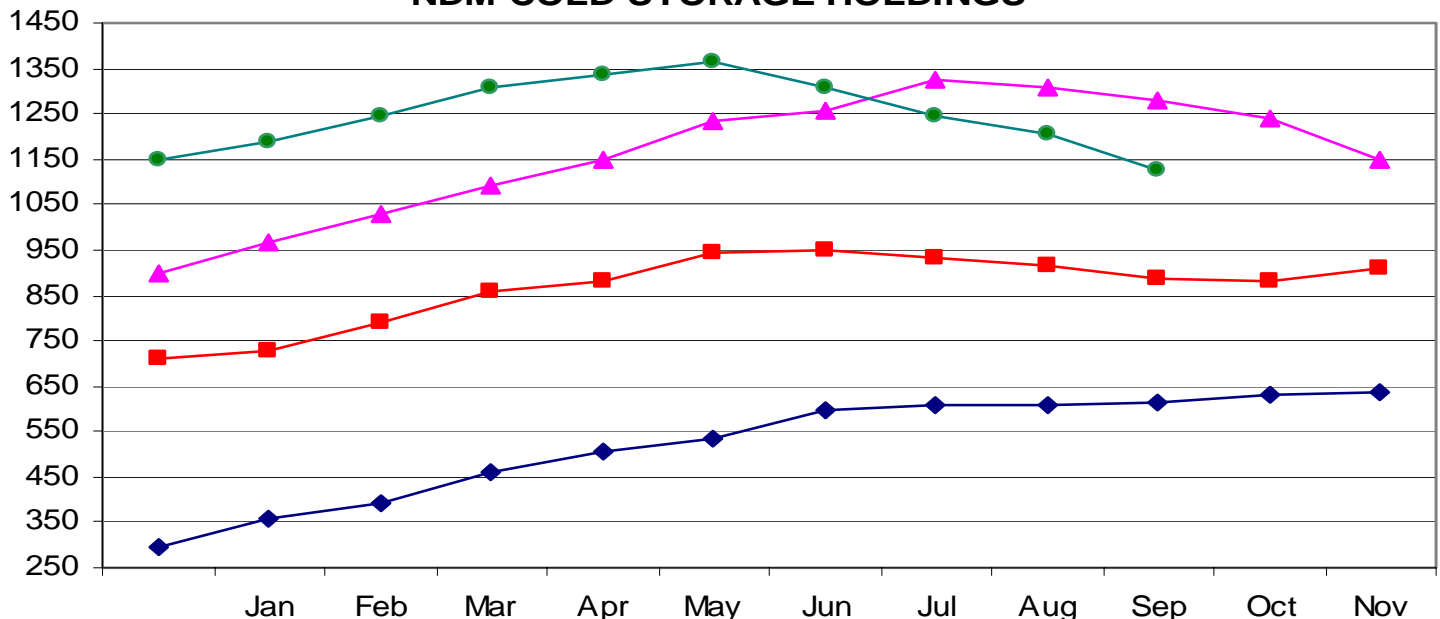
## OCTOBER STORAGE HOLDINGS BY REGION

REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
New England	20,089	17,941	20,496	---	---	---	553	371	383
Middle Atlantic	56,541	59,428	45,231	---	---	---	31,184	28,256	14,572
East North Central	169,869	189,187	181,476	---	---	---	88,193	104,712	117,798
West North Central	88,967	108,491	108,441	---	---	---	51,872	55,076	51,663
South Atlantic	3,991	475	111	---	---	---	246	899	1,830
East South Central	278	276	181	---	---	---	144	250	2,139
West South Central	2,276	1,657	1,979	---	---	---	219	346	97
Mountain	12,437	6,929	17,306	---	---	---	2,318	683	3,544
Pacific	83,692	89,671	92,234	---	---	---	7,089	10,164	11,340
TOTAL	438,140	474,055	467,455	57,916	135,632	123,187	181,818	200,757	203,366

\*Regional breakdowns are not reported to avoid possible disclosure of individual operations.

MILLION POUNDS

## NDM COLD STORAGE HOLDINGS



NASS DATA, GRAPH BY DMN

◆ 2000 ■ 2001 ▲ 2002 ● 2003

## COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2002 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/ 2/</u>		Commercial		Government <u>2/</u>	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	Million Pounds						Million Pounds						Million Pounds					
January	203	99	202	99	<u>3/</u>	<u>3/</u>	512	460	512	459	<u>3/</u>	1	1,147	900	112	120	1,036	780
February	238	130	237	129	1	1	538	491	538	490	<u>3/</u>	1	1,187	966	116	142	1,071	823
March	249	145	248	144	1	1	530	498	528	498	2	1	1,247	1,028	137	158	1,111	871
April	266	197	266	195	1	2	531	514	528	513	3	1	1,308	1,093	154	161	1,154	933
May	290	227	289	225	1	2	539	536	536	535	3	1	1,336	1,146	159	166	1,177	981
June	292	243	291	241	1	2	550	549	546	548	4	1	1,365	1,235	152	174	1,212	1,062
July	284	245	273	243	11	2	552	573	546	573	6	1	1,308	1,254	90	138	1,219	1,116
August	254	229	244	227	10	2	547	565	538	565	9	<u>3/</u>	1,245	1,327	75	109	1,170	1,218
September	207	209	197	207	10	2	517	513	508	512	9	1	1,207	1,308	69	85	1,138	1,223
October	170	165	159	163	11	2	491	501	482	500	9	1	1,126	1,279	67	79	1,059	1,200
November	123	136	114	135	9	1	467	474	461	474	7	<u>3/</u>		1,238		87		1,151
December		158		157		1		493		493		<u>3/</u>		1,148		101		1,047

1/ Total may not add due to rounding. 2/ Includes instant nonfat dry milk. 3/ Less than 500,000 lbs.

COMMERCIALLY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	Oct 31, 2001	Oct 31, 2002	Oct 31, 2003	Nov 30, 2001	Nov 30, 2002	Nov 30, 2003
	Thousand Pounds					
Butter	100,446	162,796	159,070	57,575	134,611	114,484
Natural American Cheese	462,467	500,474	481,625	437,933	473,592	460,537

1/ Total holdings minus Government owned holdings. For more information, see page 9 of this report.

**SOURCE:** "Cold Storage," Co St 1 (12-03) and "Dairy Products," Da 2-6 (12-03), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.

## NOVEMBER MILK PRODUCTION

Milk production in the 20 major States during November totaled 11.6 billion pounds, down 0.2 percent from November 2002. October revised production, at 12.0 billion pounds, was down 0.1 percent from October 2002. The October revision represented an increase of 0.1 percent or 13 million pounds from last month's preliminary production estimate.

Production per cow in the 20 major States averaged 1,509 pounds for November, 13 pounds above November 2002.

The number of cows on farms in the 20 major States was 7.71 million head, 82,000 head less than November 2002, and 10,000 head less than October 2003.

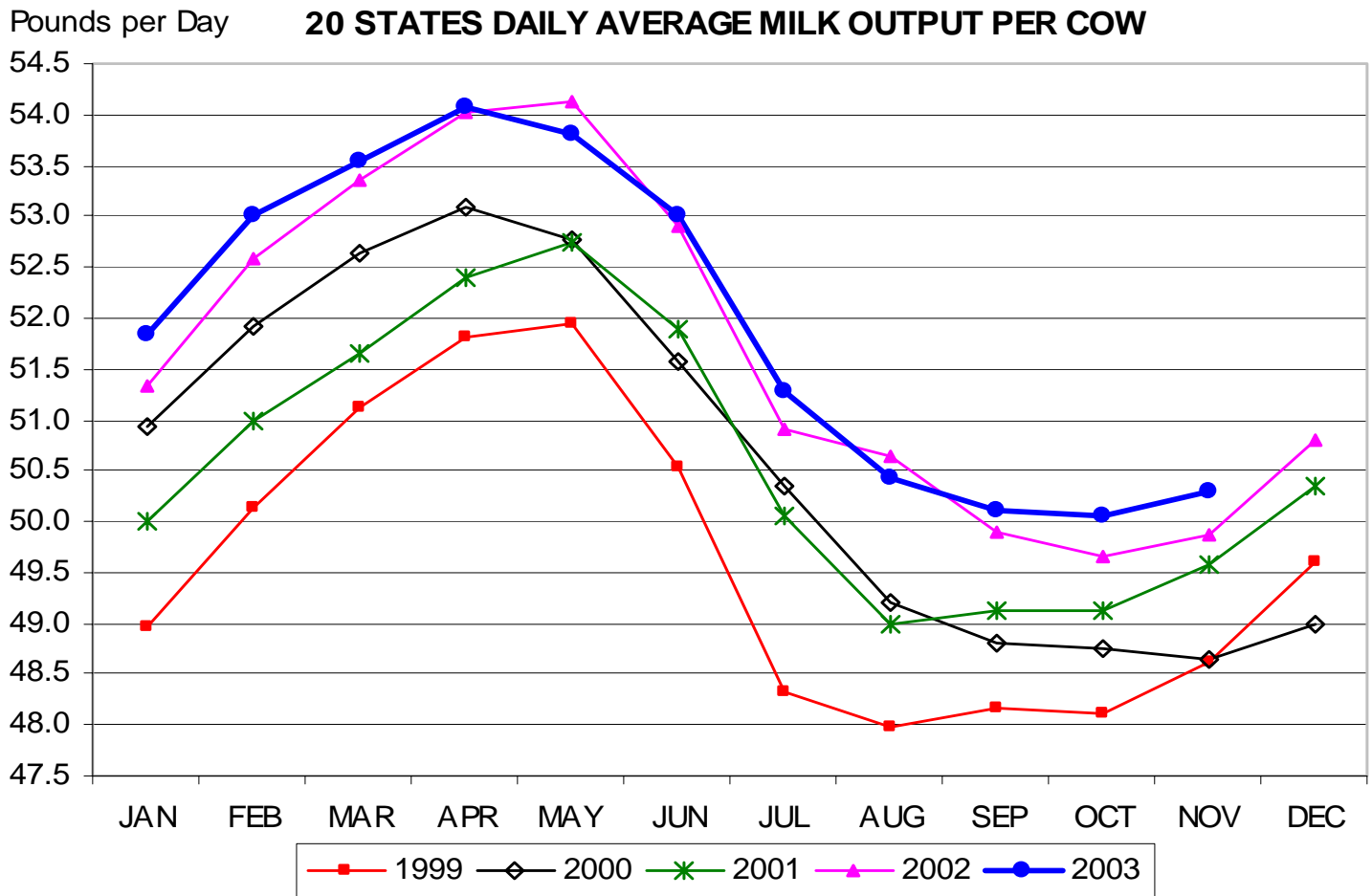
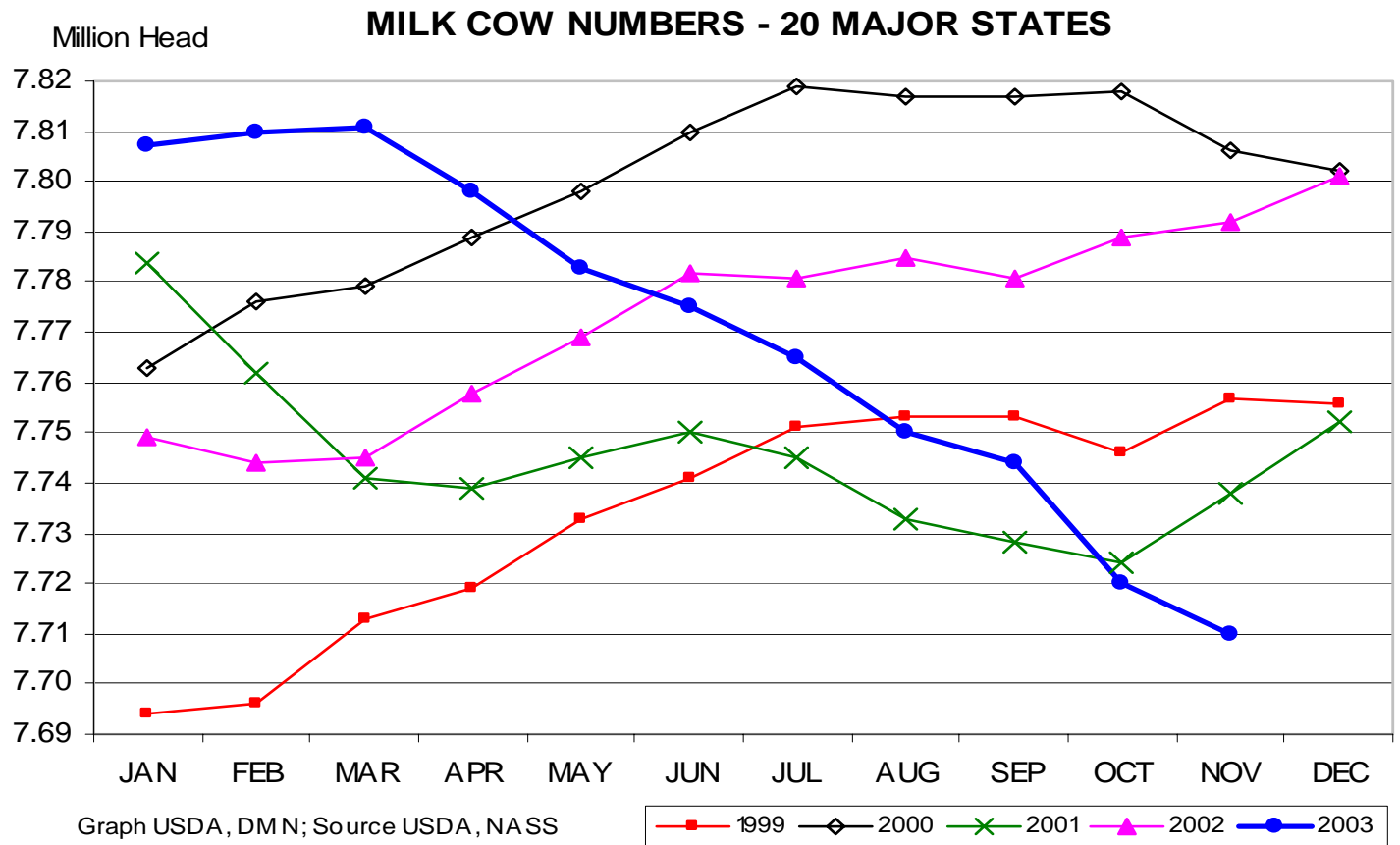
## NOVEMBER 2003 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2002	2003	2002	2003	2002	2003	% CHANGE FROM 2002
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	150	150	1,800	1,835	270	275	1.9
CA	1,669	1,706	1,685	1,655	2,812	2,823	0.4
FL	147	140	1,155	1,130	170	158	-7.1
ID	390	412	1,690	1,740	659	717	8.8
IL	115	108	1,420	1,450	163	157	-3.7
IN	147	143	1,420	1,460	209	209	---
IA	208	197	1,470	1,490	306	294	-3.9
KY	120	111	1,020	1,025	122	114	-6.6
MI	301	298	1,610	1,635	485	487	0.4
MN	480	465	1,380	1,400	662	651	-1.7
MO	135	125	1,125	1,190	152	149	-2.0
NM	305	320	1,650	1,670	503	534	6.2
NY	678	658	1,410	1,405	956	924	-3.3
OH	261	258	1,350	1,380	352	356	1.1
PA	591	560	1,460	1,420	863	795	-7.9
TX	310	311	1,345	1,460	417	454	8.9
VT	153	146	1,380	1,415	211	207	-1.9
VA	119	109	1,235	1,225	147	134	-8.8
WA	247	244	1,800	1,795	445	438	-1.6
WI	1,266	1,249	1,385	1,410	1,753	1,761	0.5
20 STATE TOTAL	7,792	7,710	1,496	1,509	11,657	11,637	-0.2

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

**SOURCE:** "Milk Production," Da 1-1 (12-03), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.





## FEDERAL MILK ORDER PRICE AND POOL SUMMARY, NOVEMBER

**HIGHLIGHTS.** Handler reports of receipts and utilization under the Federal milk order system for November have been filed and tabulated. Combined totals for the 11 consolidated orders are being released. During November, about 8.4 billion pounds of milk were received from producers. This volume of milk is 14.4 percent lower than the November 2002 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -3.5 percent.) About 3.7 billion pounds of producer milk were used in Class I products, 5.4 percent lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2003 as compared to 2002. The all-market average Class utilization percentages were; Class I = 44%, Class II = 13%, Class III = 31%, and Class IV = 12%. The weighted average statistical uniform price was \$14.37 per cwt., \$0.44 lower than last month, and \$2.88 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF NOVEMBER 2003										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	1,860.0	-5.6	878.8	-5.5	47	18	27	8	14.95
Appalachian (Charlotte)	005	507.4	-2.5	349.6	-6.2	69	14	6	11	15.76
Southeast (Atlanta)	007	593.8	0.5	377.5	-5.5	64	11	16	9	15.72
Florida (Tampa)	006	219.7	3.9	190.3	-0.4	87	9	<u>4/</u>	4	17.47
Mideast (Cleveland)	033 <u>3/</u>	1,437.5	8.8	539.2	-5.1	37	15	42	6	13.93
Upper Midwest (Chicago)	030 <u>3/</u>	1,039.3	-38.1	369.8	5.2	36	11	36	17	13.40
Central (Kansas City)	032 <u>3/</u>	1,159.3	-24.9	359.2	-15.1	31	10	49	10	13.67
Southwest (Dallas)	126	736.7	-0.2	328.1	-4.6	44	12	29	15	14.53
Arizona-Las Vegas (Phoenix)	131	243.5	3.5	78.6	-3.2	32	9	40	19	13.74
Western (Salt Lake City)	135 <u>3/</u>	209.7	-51.8	88.1	-16.4	42	14	23	21	13.41
Pacific Northwest (Seattle)	124 <u>3/</u>	428.9	-29.5	176.7	-3.1	41	8	14	37	12.95
<b>ALL MARKET AVERAGE OR TOTAL</b>	<u>3/</u>	8,435.8	-14.4	3,736.0	-5.4	44	13	31	12	14.37

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 1.4 billion pounds of milk that normally would have been associated with these markets. In November 2002, the estimated not-pooled volume of milk was 300 million pounds. After adjusting for these not-pooled volumes, the year-to-year percent change is -3.5.

4/ Less than 0.5 percent.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF DECEMBER 15 - 19, 2003			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 12/12/03	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	343,714	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	296,019	-0-	-0-
Process	-0-	-0-	-0-	-0-	4,197,600	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	4,837,333	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	11,082,289	588,498	10,493,791	89,752,360	90,666,310	860,434,000	1,049,360,000
Fortified	-0-	-0-	-0-	-119,048	-0-	46,391,000	46,391,000
<b>TOTAL</b>	11,082,289	588,498	10,493,791	89,633,312	90,666,310	906,825,000	1,095,751,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF DECEMBER 15 - 19, 2003 =	2.3	122.1	COMPARABLE PERIOD IN 2002 =	25.4	104.4
CUMULATIVE SINCE OCTOBER 1, 2003 =	19.7	1,043.3	CUMULATIVE SAME PERIOD LAST YEAR =	64.6	1,103.2
CUMULATIVE JAN. 1 - DEC. 19, 2003 =	711.8	7,456.1	COMPARABLE CALENDAR YEAR 2002 =	259.2	7,882.9

\* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

\*\*Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF DECEMBER 15 - 19, 2003 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	849,976	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	9,643,815	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/03 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
CENTRAL	-0-	-0-	-0-	4,197,600	849,976	1,015,166	0.9	60.3
WEST	-0-	-0-	-0-	639,733	88,783,336	89,651,144	99.1	39.7
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	4,837,333	89,633,312	90,666,310	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 11/29/03 & Comparable Week 2002

Regions* (000 HEAD)											U.S. TOTAL		% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2003-Dairy	0.2	0.6	7.2	4.0	17.2	2.0	0.3	0.6	11.3	1.8	45.3	2,633.0	47.1	47.8
2002-Dairy	0.1	0.7	6.5	4.3	18.6	2.3	0.5	0.5	11.5	1.5	46.4	2,379.6	45.9	44.0
2003-All cows	0.2	0.8	9.4	9.6	26.6	12.5	15.7	2.7	13.1	5.7	96.2	5,507.3		
2002-All cows	0.2	0.8	8.8	11.0	28.3	13.9	15.1	3.2	13.8	6.2	101.1	5,178.6		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74

FEDERAL MILK ORDER CLASS PRICES FOR 2003 - 2004 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN 2004
I 1/	10.56	10.23	9.81	9.64	9.71	9.74	9.77	10.97	13.71	14.27	14.37	13.84	11.85
II	11.29	10.66	10.54	10.44	10.43	10.46	10.63	10.81	10.76	10.84	10.99		
III	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47		
IV	10.07	9.81	9.79	9.73	9.74	9.76	9.95	10.14	10.05	10.16	10.30		

1/ Specific order differentials to be added to this base price are located at [www.ams.usda.gov/dyfmom/mib/clis\\_prod\\_cmp\\_pr.htm](http://www.ams.usda.gov/dyfmom/mib/clis_prod_cmp_pr.htm)